

**NOTICE**

THE POLICY FOR WHICH APPLICATION IS MADE, SUBJECT TO ITS TERMS, APPLIES ONLY TO ANY CLAIM OR LOSS DISCOVERED (AS APPLICABLE IN THE COVERAGE SECTION FOR WHICH APPLICATION IS MADE) MADE AGAINST ANY OF THE INSURED DURING THE POLICY PERIOD. THE LIMIT OF LIABILITY AVAILABLE TO PAY DAMAGES OR SETTLEMENTS SHALL BE REDUCED AND MAY BE EXHAUSTED BY AMOUNTS INCURRED AS COSTS, CHARGES AND EXPENSES (AS DEFINED IN THE COVERAGE SECTION FOR WHICH APPLICATION IS MADE), AND COSTS, CHARGES AND EXPENSES SHALL BE APPLIED TO THE RETENTIONS.

**INSTRUCTIONS**

Please type or print all answers clearly. Answer all questions completely, leaving no blanks. If there is insufficient space to complete an answer, please continue on a separate sheet indicating the question number. If any questions, or any part thereof, do not apply, print N/A in the space. Insert checks in Yes or No answer boxes, if any.

**I. General Information**

1. Name of **Applicant**:

Years of Operations: \_\_\_\_\_

2. Address:

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_

3. Nature of Operations:

**Applicants Website**

Primary SIC Code:

Coverage Sections Requested:  D&O  Employment Practices Liability  Fiduciary Liability  Crime

4. Has the Applicant in the past 18 months been involved with any actual, negotiated or attempted merger, acquisition or divestment?  Yes  No  
If "Yes," please provide details in the notes section of this application or a separate page.
5. Does the Applicant contemplate transacting any mergers or acquisitions that would involve more than 50% of the total assets of the Applicant in the next 12 months?  Yes  No  
If "Yes," please provide details in the notes section of this application or a separate page.
6. Does the Applicant own more than (3) subsidiaries?  Yes  No  
If "Yes," please provide details in the notes section of this application or a separate page.
7. Are there any subsidiaries with operations that are unrelated to the primary business of the Applicant?  Yes  No  
If "Yes," please provide details in the notes section of this application or a separate page.
8. Are there any foreign operations that are unrelated to the primary business of the Applicant?  Yes  No  
If "Yes," please provide details in the notes section of this application or a separate page.

**II. Financial Information**

1. Describe the following financial information for the Applicant and all Subsidiaries.

Based on Financial Statements Dated:

Total Assets	\$	\$
Cash	\$	\$
Total Liabilities	\$	\$
Total Revenues	\$	\$
<input type="checkbox"/> Net Income <input type="checkbox"/> Net Loss	\$	\$
Cashflow from Operations	\$	\$

## VI. Crime Coverage Section Information

### Underwriting Information

List of Countries in which you have operations	Type of Operations	Number of Locations	Number of Employees	Revenues
				\$
				\$
				\$
				\$
				\$
				\$
<b>TOTAL</b>				\$

Please attach the following information for any joint venture or subsidiary that you are requesting coverage for

- 1) Country of domicile
- 2) Percentage of ownership
- 3) Description of Operations
- 4) Identify the responsibilities of the Applicant in any joint venture

1. Have you or any subsidiary engaged in any mergers or acquisitions in the past 24 months?  Yes  No
2. Maximum Cash exposure inside premises \_\_\_\_\_
3. Percentage of Applicant's employees who regularly handle, have access to or maintain records of money, securities or other property? \_\_\_\_\_ %

### Human Resources and Payroll

1. Are background and credit checks performed on all new hires?  Yes  No
2. Are additions to the payroll system automatically reported via computer system to an HR Manager who reconciles payroll changes with against hire documentation?  Yes  No
3. Is the payroll system structured to identify ghost employees?  Yes  No
4. Is the payroll system audited at least annually?  Yes  No
5. Does the Applicant maintain an internal Fraud Hot-Line?  Yes  No

### Auditor Information

1. Are the Applicant's annual financial statements audited by an independent CPA?  Yes  No
2. Does the Audit include all locations to be covered? (including all foreign locations)  Yes  No
3. Have outside auditors stated there are material weaknesses in the Applicant's system of Internal Controls?  Yes  No
4. Has the Applicant implemented all material recommendations?  Yes  No
5. Does the Applicant maintain an Internal Audit Dept.? If yes, size of staff  
If "No," please provide details in the notes section of this application or a separate page as to how internal controls are monitored.  Yes  No
6. Does the audit department receive automatic exception reports on suspect financial transactions and financial trends?  Yes  No

### Internal Controls

1. Are the owner(s) involved in the daily operations?  Yes  No
2. Are bank account statements reconciled at least monthly?  Yes  No
3. Are bank accounts reconciled by someone not authorized to (make) deposits, withdraws or write/sign checks?  Yes  No
4. Are at least two signatures required on all checks? Above what amount? \_\_\_\_\_
  - a. If dual signature not required, outline the procedures in place to prevent the unauthorized issuance of those checks that are not countersigned.  Yes  No
5. Are blank and cancelled checks stored under dual control with documented access?  Yes  No
6. Does the Applicant utilize a Positive Pay System?  Yes  No
7. Are internal controls designed such that no employee can control a process from beginning to end? (eg..request a check, approve a voucher and sign a check)  Yes  No
8. Are Invoices, purchase orders, and check runs reconciled daily by an independent party?  Yes  No
9. Does the Applicant use a numbered purchase order system?  Yes  No
10. Are all invoices verified against a corresponding purchase order, receiving report and authorized master vendor list prior to issuing payment?  Yes  No
11. Do employees with access to the purchasing system also have access to the accounts payable system?  Yes  No
12. Confirm that all Expense Reimbursements require original receipts and requires management approval at the next management level?  Yes  No
13. How often does the Applicant review its internal controls? Who is responsible for this function?
14. Are International and Domestic Internal control procedures consistent?  Yes  No

### Vendor Controls

1. Are the Applicant's Internal Controls such that no one employee can add a vendor to the master vendor list or have the ability to amend any information relating to a current vendor?  Yes  No
2. Are background checks performed on vendors in order to determine ownership and financial capability?  Yes  No
3. Does the Applicant allow the use of vendors owned by family members of its employees?  Yes  No
4. Is the Master Vendor List reviewed annually by the audit department to verify all vendors are in good standing?  Yes  No
5. Is the responsibility for approving vendors, approving invoices and processing payments segregated among different employees?  Yes  No
6. Are the International and Domestic Vendor Controls and Procedures consistent?  Yes  No

### Inventory Controls

1. Is a perpetual inventory maintained for:
  - a. Stock, including raw materials and manufacturing components  Yes  No
  - b. Manufactured or finished goods  Yes  No
  - c. Scrap  Yes  No
2. Are physical inventory counts conducted at least annually and reconciled against a perpetual inventorying system?
  - a. Who performs inventory counts? \_\_\_\_\_  Yes  No
  - b. Is the reconciliation performed by someone who has no control over the physical  Yes  No

inventory?

- 3. Are periodic reviews conducted of all unused/obsolete inventory?  Yes  No
- 4. Are all employees engaged in purchase or sales activities prohibited from taking part in the shipping and receiving?  Yes  No
- 5. Are inventory variances outside established parameters reported to Senior Management?  Yes  No
- 6. Does the Applicant use precious metal, stone or other high valued items in manufacturing or processing of goods?  Yes  No
- 7. Are International and Domestic Inventory Controls and Procedures consistent?  Yes  No

**Computer Controls**

- 1. Are the duties of computer programmers and computer operators segregated?  Yes  No
- 2. Do audit practices include tests to detect unauthorized program changes?  Yes  No
- 3. Are employees warned of phishing scams and blocked from harmful websites?  Yes  No
- 4. Does your bank require authentication of the identity of the caller prior to initiating any transfer instruction?  Yes  No
- 5. Are Wire Transfer verifications sent directly to a department not authorized to initiate transfer?  Yes  No
- 6. Does the Applicant perform daily reconciliation of all Wire Transfers? Who performs?  Yes  No
  
- 7. Are International and Domestic Computer Controls and Procedures consistent?  Yes  No

**Prior Insurance Information (Please do not complete if ACE Renewal)**

Coverage	Limit	Retention	Premium	Expiration Date	Continuity Date	Carrier
D&O						
EPL						
Fiduciary						
Crime						

**VII. Warranty Section**

None of the **Insureds** has knowledge of any **Wrongful Act** or fact, circumstance or situation which (s)he has reason to suppose might give rise to any future **Claim**, except as follows: Details Attached

If "NONE", Please check this box:

Without prejudice to any other rights and remedies of the Insurer, it is agreed by all concerned that if any such **Wrongful Act**, fact, circumstance, or situation exists, whether or not disclosed above, any such **Claim** arising from such **Wrongful Act**, fact, circumstance, or situation shall be excluded from coverage under the proposed Policy.

This Application shall be maintained on file by the Insurer, shall be deemed attached as if physically attached to the proposed Policy and shall be considered as incorporated into and constituting a part of the proposed Policy.

The undersigned agrees that if after the date of this Application and prior to the effective date of any Policy based on this Application, any occurrence, event or other circumstance should render any of the information contained in this

Application inaccurate or incomplete, then the undersigned shall notify the Insurer of such occurrence, event or circumstance and shall provide the Insurer with information that would complete, update or correct such information. Any outstanding quotations may be modified or withdrawn at the sole discretion of the Insurer.

**Additional Information we may require:**

**False Information**

**NOTICE TO ARKANSAS APPLICANTS:** Any person who knowingly presents a false or fraudulent claim for payment of a loss or benefit or knowingly presents false information in an application for insurance is guilty of a crime and may be subject to fines and confinement in prison.

**NOTICE TO COLORADO APPLICANTS:** It is unlawful to knowingly provide false, incomplete, or misleading facts or information to an insurance company for the purpose of defrauding or attempting to defraud the company. Penalties may include imprisonment, fines, denial of insurance, and civil damages. Any insurance company or agent of an insurance company who knowingly provides false, incomplete, or misleading facts or information to a policyholder or claimant for the purpose of defrauding or attempting to defraud the policyholder or claimant with regard to a settlement or award payable from insurance proceeds shall be reported to the Colorado Division of Insurance within the Department of Regulatory Agencies.

**NOTICE TO DISTRICT OF COLUMBIA APPLICANTS:** WARNING: It is a crime to provide false or misleading information to an insurer for the purpose of defrauding the insurer or any other person. Penalties include imprisonment and/or fines. In addition, an insurer may deny insurance benefits if false information materially related to a claim was provided by the applicant.

**NOTICE TO LOUISIANA APPLICANTS:** Any person who knowingly presents a false or fraudulent claim for payment of a loss or benefit or knowingly presents false information in an application for insurance is guilty of a crime and may be subject to fines and confinement in prison.

**NOTICE TO MARYLAND APPLICANTS:** Any person who knowingly or willfully presents a false or fraudulent claim for payment of a loss or benefit or who knowingly or willfully presents false information in an application for insurance is guilty of a crime and may be subject to fines and confinement in prison.

**NOTICE TO MINNESOTA APPLICANTS:** A person who submits an application or files a claim with intent to defraud or helps commit a fraud against an insurer is guilty of a crime.

**NOTICE TO NEW JERSEY APPLICANTS:** Any person who includes any false or misleading information on an application for an insurance policy is subject to criminal and civil penalties.

**NOTICE TO NEW MEXICO APPLICANTS:** ANY PERSON WHO KNOWINGLY PRESENTS A FALSE OR FRAUDULENT CLAIM FOR PAYMENT OF A LOSS OR BENEFIT OR KNOWINGLY PRESENTS FALSE INFORMATION IN AN APPLICATION FOR INSURANCE IS GUILTY OF A CRIME AND MAY BE SUBJECT TO CIVIL FINES AND CRIMINAL PENALTIES.

**NOTICE TO NEW YORK APPLICANTS:** Any person who knowingly and with intent to defraud any insurance company or other person files an application for insurance or statement of claim containing any materially false information, or conceals for the purpose of misleading, information concerning any fact material thereto, commits a fraudulent insurance

act, which is a crime, and shall also be subject to a civil penalty not to exceed five thousand dollars and the stated value of the claim for each such violation.

**NOTICE TO OHIO APPLICANTS:** Any person who, with intent to defraud or knowing that he is facilitating a fraud against an insurer, submits an application or files a claim containing a false or deceptive statement is guilty of insurance fraud.

**NOTICE TO TENNESSEE APPLICANTS:** It is a crime to knowingly provide false, incomplete or misleading information to an insurance company for the purpose of defrauding the company. Penalties include imprisonment, fines and denial of insurance benefits.

**NOTICE TO VERMONT APPLICANTS:** Any person who knowingly presents a false statement in an application for insurance may be guilty of a criminal offense and subject to penalties under state law.

**NOTICE TO WASHINGTON APPLICANTS:** It is a crime to knowingly provide false, incomplete, or misleading information to an insurance company for the purposes of defrauding the company. Penalties include imprisonment, fines, and denial of insurance benefits.

**NOTICE TO ALL OTHER APPLICANTS:**

**ANY PERSON WHO KNOWINGLY AND WITH INTENT TO DEFRAUD ANY INSURANCE COMPANY OR ANOTHER PERSON, FILES AN APPLICATION FOR INSURANCE OR STATEMENT OF CLAIM CONTAINING ANY MATERIALLY FALSE INFORMATION, OR CONCEALS INFORMATION FOR THE PURPOSE OF MISLEADING, COMMITS A FRAUDULENT INSURANCE ACT, WHICH IS A CRIME AND MAY SUBJECT SUCH PERSON TO CRIMINAL AND CIVIL PENALTIES.**

**Other Information**

1. The undersigned declares that to the best of his/her knowledge the statements herein are true. Signing of this Application does not bind the undersigned to complete the insurance, but it is agreed that this Application shall be the basis of the contract should a Policy be issued, and this application will be attached to and become a part of such Policy, if issued. Insurer hereby is authorized to make any investigation and inquiry in connection with this Application as they may deem necessary.
2. It is warranted that the particulars and statements contained in the Application for the proposed Policy and any materials submitted herewith (which shall be retained on files by Insurer and which shall be deemed attached hereto, as if physically attached hereto), are the basis for the proposed Policy and are to be considered as incorporated into and constituting a part of the proposed Policy.
3. It is agreed that in the event there is any material change in the answers to the questions contained herein prior to the effective date of the Policy, the applicant will notify Insurer and, at the sole discretion of Insurer, any outstanding quotations may be modified or withdrawn.
4. It is agreed that in the event there is any misstatement or untruth in the answers to the questions contained herein, Insurer have the right to exclude from coverage any claim based upon, arising out of or in connection with such misstatement or untruth.

Signed: \_\_\_\_\_ Date: \_\_\_\_\_  
(must be signed by an Executive Officer of the Company)

**For purposes of creating a binding contract of insurance by this application or in determining the rights and obligations under such contract in any court of law, the parties acknowledge that a signature reproduced by either facsimile or photocopy shall be the same force and effect as an original signature and that the original and any such copies shall be deemed on and the same document.**

**FOR IOWA APPLICANTS ONLY:**

Broker: \_\_\_\_\_

Address: \_\_\_\_\_

**FOR MISSOURI & RHODE ISLAND APPLICANTS ONLY:**

**EITHER THE CHAIRMAN OF THE BOARD OR PRESIDENT MUST ACKNOWLEDGE AND SIGN THE FOLLOWING DISCLOSURE TO THIS APPLICATION FOR INSURANCE:**

**I UNDERSTAND AND ACKNOWLEDGE THAT THE ATTACHED POLICY CONTAINS A DEFENSE WITHIN LIMITS PROVISION WHICH MEANS THAT DEFENSE COSTS WILL REDUCE MY LIMITS OF INSURANCE AND MAY EXHAUST THEM COMPLETELY. SHOULD THAT OCCUR, I SHALL BE LIABLE FOR ANY FURTHER LEGAL DEFENSE COSTS AND DAMAGES.**

Signed: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

NOTES: